

Message Text

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ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 /108 W

----- 030693

R 270826Z JUL 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1133

INFO AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

CINCPAC

CINCPACREP

TTPI/GUAM

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E.O. 11652: N/A

TAGS: ENRG, JA

SUBJECT: JAPANESE CTS PROJECTS: PALAU AND LOMBOK

SUMMARY. JAPANESE PLANS TO BUILD CRUDE TRANSIT STATIONS AT PALAU AND/OR LOMBIK CONTINUE TO PERK ALONG. BUT A DECISION ON WHETHER TO GO BEYOND THE FEASIBILITY STUDY STAGE REMAINS AT LEAST A YEAR AWAY. END SUMMARY.

1. WE REVIEWED JAPANESE PLANS TO BUILD A CRUDE TRANSIT STATION (CTS) AT PALAU AND AT LOMBIK RESPECTIVELY WITH ADACHI OF THE INDUSTRIAL BANK OF JAPAN (BACKING PALAU) AND KISHIDA, PRESIDENT OF THE CTS ASSOCIATION (BACKING LOMBOK). BOTH PARTIES WERE OPTIMISTIC ABOUT THE ULTIMATE SUCCESS OF THEIR RESPECTIVE ENDEAVORS, BUT ACKNOWLEDGED THAT THE GOJ

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WAS FAR FROM COMMITTING SUBSTANTIAL OFFICIAL FINANCING TO THE PROJECTS.

2. THE CTS ASSOCIATION EXPECTS TO PRESENT TO THE MINISTRY

OF INTERNATIONAL TRADE AND INDUSTRY (MITI) A REVISED PRELIMINARY STUDY ON THE LOMBOK PROPOSAL BY THE MIDDLE OF AUGUST. TECHNICAL SURVEYS HAVE BEEN VIRTUALLY FINISHED, BUT LARGE ECONOMIC QUESTIONS REMAIN UNANSWERED. THE ORIGINAL IDEA WAS FOR THE CTS TO BE PART OF A REFINING AND PETRO-CHEMICAL COMPLEX. PERTAMINA'S FINANCIAL PLIGHT WOULD SEEM TO PRECLUDE EMBARKING ON A PROJECT OF THIS MAGNITUDE, AT LEAST IN THE NEAR FUTURE. THE ECONOMIC ATTRACTIVENESS OF A CTS-ONLY PROJECT WOULD THUS DEPEND ON ANTICIPATED FREIGHT RATES AND WHETHER LOW COST FINANCING CAN BE OBTAINED. THE JAPANESE HAVE BEEN DILIGENTLY TRYING TO INTEREST THE SAUDI'S, THROUGH PRINCE FAHD, IN EXTENDING A LOW INTEREST LOAN TO THE TUNE OF \$1 BILLION. KISHIDA SAID THAT SAUDI PARTICIPATION IS THE KEY TO THE PROJECT'S SUCCESS. THEY INTEND TO SEND A COPY OF THE REVISED STUDY TO FAHD AND HOPE THAT IT WILL ELICIT A POSITIVE RESPONSE.

3. PALAU SUPERPORT BACKERS BELIEVE PROSPECTS FOR THEIR PROJECT HAVE IMPROVED. MITI HAS GRANTED THE GROUP \$3 MILLION TO CONDUCT AN ENVIRONMENTAL AND SOCIAL IMPACT STUDY TO BE COMPLETED BY NEXT SPRING. ADACHI ALSO SAID THAT NISSHO-IWAI HAS BEEN GIVEN A LETTER SIGNED BY HICOM ACCORDING THE COMPANY EXCLUSIVE RIGHTS TO CONDUCT ALL STUDIES RELATING TO THE SUPERPORT. ADACHI CAUTIONED, HOWEVER, AGAINST EXPECTING AN EARLY DECISION. IRAN HAS YET TO EXPRESS CONCRETE INTEREST AND MITI WILL WANT TO EXAMINE ALL THE OPTIONS BEFORE THROWING ITS WEIGHT BEHIND A PARTICULAR PROJECT.

4. COMMENT. THE TWO GROUPS DOWNPLAY THEIR RIVALRY, BUT BOTH ACKNOWLEDGE THAT IT WOULD BE VERY UNLIKELY FOR THE GOJ TO EXTEND OFFICIAL FINANCING TO BOTH PROJECTS SIMULTANEOUSLY. THE CTS ASSOCIATION FURTHER ACKNOWLEDGES THAT THIS YEAR MITI WANTS TO CONCENTRATE ON THE PALAU PROJECT -- UNLESS THE SAUDIS DECIDE TO BE MORE FORTHCOMING ON LOMBOK.

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5. ACTION REQUESTED. EMBASSY WOULD APPRECIATE A TELEGRAPHIC REPORT CONCERNING AN INTERDEPARTMENTAL MEETING ALLEGEDLY HELD IN WASHINGTON ON JUNE 26 TO DISCUSS THE PALAU SUPERPORT. SIMILARLY WE WOULD APPRECIATE CONFIRMATION THAT NISSHO-IWAI HAS BEEN GIVEN EXCLUSIVE RIGHT TO CONDUCT SUPERPORT STUDIES.
SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 30 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TOKYO11291
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197607106/baaabaur.tel
Line Count: 106
Locator: TEXT ON-LINE
Office: n/a
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAY 2004 by ElyME>; APPROVED <22 SEP 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ENRG, JA
To: STATE INFO JAKARTA
JIDDA
TEHRAN
CINCPAC
CINCPACREP
TTPI GUAM

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006